

**SHEPP**

SASKATCHEWAN HEALTHCARE  
EMPLOYEES' PENSION PLAN

*Preserving the pension  
promise - for your future*



**2004** ANNUAL REPORT



**SHEPP**

SASKATCHEWAN HEALTHCARE  
EMPLOYEES' PENSION PLAN

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**SASKATCHEWAN HEALTHCARE EMPLOYEES' PENSION PLAN**  
2004 ANNUAL REPORT

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## MESSAGE FROM THE CHAIR AND VICE-CHAIR

We are pleased to present you with the *2004 Annual Report* of the Saskatchewan Healthcare Employees' Pension Plan.

As the cover suggests, preserving the pension promise made to SHEPP members is our greatest responsibility. The Plan has fulfilled this promise for more than 40 years, and we are committed to ensuring this tradition continues.

This means continuing to grow and invest the pension fund, provide quality services to members, and ensure the pensions earned are delivered to retired members.

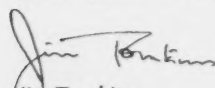
In 2004, the SHEPP trust fund achieved a 10.6% rate of return, beating its target return by 1.5%. This helped the fund grow by \$262.1 million during the year, passing the \$2 billion mark in August and ending the year with over \$2.2 billion in assets. You can read more about SHEPP's investment performance, including how the fund is invested, later in the report.

Although the Plan still has an unfunded liability and funding shortfall – totalling \$88 million at the end of 2002 – the contribution increase that went into effect in January 2004 is expected to cover the liability and shortfall before the legislated deadline of 15 years.

The Board continues to monitor the Plan's financial health closely. To ensure that SHEPP's funding levels are on track to meet its financial obligations, we made the decision to move up the next actuarial review by one year. Although the next review is not legally required until the end of 2005, the Plan's actuary will now conduct a review as of December 31, 2004.

Conducting the review sooner rather than later means the Board will have expert and detailed information on the Plan's financial position and the risks it faces in the years ahead. While there is always a possibility that further adjustments may have to be made in the future based on the results of the actuary's review, the Plan is on course and the contribution rates remain stable for the time being.

As the Board moves into its third year, we would like to thank SHEPP members and employers for your support and ongoing commitment to SHEPP. We look forward to serving you in the future.

  
Jim Tomkins  
Chair

  
Marg Romanow  
Vice-Chair

## MESSAGE FROM THE **GENERAL MANAGER**

With the move to joint trusteeship successfully completed, 2004 gave us an opportunity to look for ways to improve our services and still operate as efficiently as possible.

Introducing shepp.ca in the spring of 2004 is an initiative that met both objectives. With its news, publications and links to other sites, getting information on SHEPP has never been easier. Whether it's day or night, during the week or on the weekend, members can get answers whenever it's convenient for them.

We continue to provide personal services for those who prefer them. More information on our traditional services can be found in the Member Services section of the report.

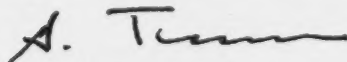
In 2004, we also:

- Brought the function of paying pensions in-house. While our custodian performed this function in the past, bringing the job in-house means we have more control over the process and more flexibility to make changes. It will also save money over the long term. In the first three years, cost savings will be about \$100,000.
- Introduced a number of new publications and documents designed to make SHEPP as easy to understand as possible. This included new information sheets for plan members – one on beneficiary designations and the other on powers of attorney – along with a new format for their annual statements. Employers received a new administrative manual with checklists for SHEPP transactions.

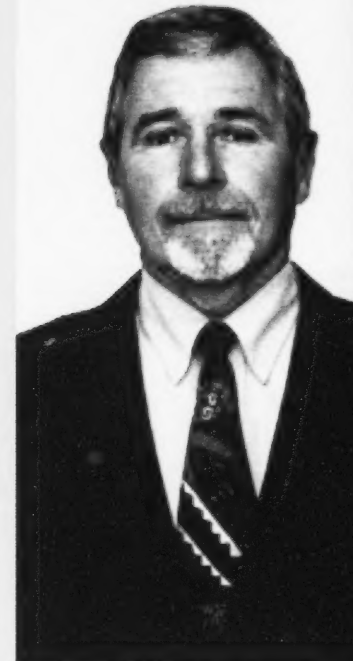
Looking ahead, our goal is to ensure SHEPP continues to meet the needs of its nearly 39,000 members and 74 employers. Beginning this year, we will survey our membership about the Plan's benefits and services. The feedback we receive will help shape our service and communication programs.

Our employees continue to be our strength. Their hard work, loyalty and dedication contribute to our success and I thank them for this.

Our telephone lines and doors are always open. Contact us by phone, fax or email, or visit our office in Regina. We would be pleased to hear from you.



Garry Tramer  
General Manager



## PROFILE

### ABOUT US

The Saskatchewan Healthcare Employees' Pension Plan (SHEPP) is the largest defined benefit pension plan in Saskatchewan, with over \$2.2 billion in assets.

Originally established in 1962 for Saskatchewan hospital employees, the Plan has grown to become the pension plan for nearly 39,000 healthcare workers in the province.

With its competitive pension formula, enriched early retirement and bridge benefits, portability and transfer features, the Plan helps members build a stronger retirement future and plays a vital role in their preparation for a secure retirement.

### BOARD OF TRUSTEES

In 2002, the Saskatchewan Association of Health Organizations (SAHO) and six healthcare unions agreed to jointly trustee the Plan and an independent board of trustees was set up to govern the Plan.

The Board is made up of four employer and four employee appointed trustees. SAHO appoints the employer trustees and four of the largest healthcare unions each appoint one employee trustee:

Canadian Union of Public Employees

Service Employees' International Union

Saskatchewan Union of Nurses

Health Sciences Association of Saskatchewan

2004

Ranked 62nd largest in *Benefits Canada* magazine's "Top 100 Pension Funds" list.

## PARTNER COMMITTEES

Plan design issues, such as benefit and contribution levels, are negotiated by two partner committees representing employers and employees.

SAHO appoints representatives to the employer committee, and six healthcare unions appoint representatives to the employee committee:

Canadian Union of Public Employees

Service Employees' International Union

Saskatchewan Union of Nurses

Health Sciences Association of Saskatchewan

Saskatchewan Government and General  
Employees' Union

Retail, Wholesale and Department Store Union

## VOICE

The Board of Trustees and Partner Committees ensure that members have a real voice in SHEPP.

## SHEPP EMPLOYEES

Under the oversight of the Board of Trustees, SHEPP's 16 employees are responsible for the day-to-day operations of the Plan.



## Did you know?

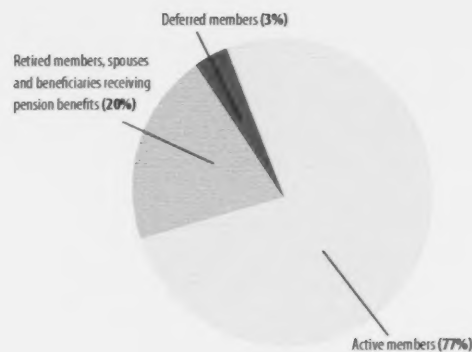
- There were 1,824 new members to the Plan in 2004.
- About 90% of members are women.
- 42% of members work part-time or casual.
- The average plan member is 44 years old.
- About 2,600 members were disabled in 2004 and continued to earn credited service and build their pensions.

## WHO WE SERVE

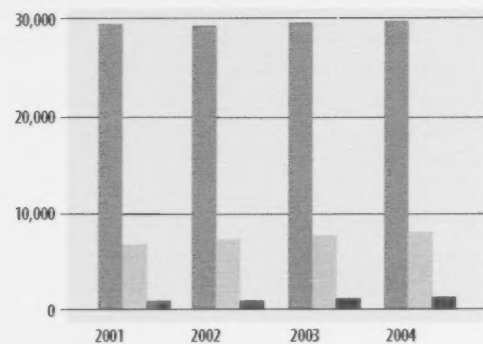
SHEPP serves 38,943 members:

- 29,729 active members
- 7,917 retired members, spouses and beneficiaries receiving pension benefits
- 1,297 deferred members, or former members who left their funds in SHEPP to collect a pension at retirement

## OUR MEMBERSHIP



## HISTORICAL PROFILE (in thousands)



- Active members
- Retired members, spouses and beneficiaries receiving pension benefits
- Deferred members



## WE PARTNER WITH SHEPP EMPLOYERS

**A total of 74 healthcare employers in Saskatchewan participate in SHEPP on behalf of their employees.**

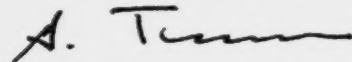
All Nations Healing Hospital  
Alzheimer Society of Saskatchewan Inc.  
Bethany Pioneer Village  
Birch Manor  
Border-Line Housing Co. (1975) Inc.  
Creighton Alcohol and Drug Abuse Council  
Cupar & District Nursing Home  
Cupar Health Centre  
Cypress Health Region  
Deer Park Villa Inc.  
Dr. Noble Irwin Healthcare Foundation Inc.  
Eaglestone Lodge - Personal Care Home Inc.  
Eatonia Oasis Living Inc.  
Elmwood Residences Inc.  
Extendicare Moose Jaw  
Extendicare Regina  
Extendicare Saskatoon  
Five Hills Health Region  
Foyer Saint Joseph Nursing Home  
George Bailey Counselling Centre  
Gull Lake & District Road Ambulance Board  
Haven of Hope Home  
Heartland Health Region  
Herbert Group Home  
Herbert Nursing Home Inc.

Ina Grafton Gage Home  
Keewatin Yatthe Regional Health Authority  
Kelsey Trail Health Region  
Langham Senior Citizen's Home  
Lumsden & District Heritage Home  
LutherCare Communities  
Mamawelan Churchill River Health Authority  
Metis Addictions Council of Saskatchewan  
Mont St. Joseph Inc.  
Moose Jaw Alcohol & Drug Abuse Society  
Moose Jaw Health Foundation  
Moose Mountain Drug & Alcohol Society  
North Sask. Laundry & Support Services Ltd.  
Oak Trees & Acorns Child Care Centre Inc.  
Pine Island Out-patient Centre  
Pioneers Haven Co. Inc.  
Prairie North Regional Health Authority  
Prince Albert Council on Alcohol & Drug Abuse  
Prince Albert Parkland Health Region  
Providence Place for Holistic Health  
Qu'Appelle House  
Radville Marian Health Centre  
Regina Lutheran Home  
Regina Pioneer Village Ltd.  
Regina Qu'Appelle Health Region

Regina Recovery Homes Inc.  
Registered Psychiatric Nurses Assoc. of Sask.  
Saint Elizabeth's Hospital  
Saint Joseph's Health Centre  
Saint Joseph's Home  
Saint Joseph's Hospital, Estevan  
Saint Joseph's Hospital, Gravelbourg  
Saint Joseph's Hospital, Ile a La Crosse  
Salvation Army William Booth Special Care Home  
Sandy Bay Outpatient Centre  
Santa Maria Senior Citizens Home Inc.  
Sask. Voice of People with Disabilities Inc.  
Sask. Association of Health Organizations  
Sask. Assoc. of Licensed Practical Nurses  
Saskatchewan Cancer Agency  
Sask. Healthcare Employees' Pension Plan  
Sask. Society of Medical Laboratory  
Technologists Inc.  
Saskatoon Housing Coalition  
Saskatoon Health Region  
Spadina Childcare Co-operative  
Sun Country Health Region  
Sunrise Health Region  
The Health Foundation of East Central Sask.  
Villa Pascal

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The SHEPP financial statements and all the information in this Annual Report are the responsibility of management and have been approved by the Board of Trustees. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include some amounts that are necessarily based on management's best estimates and judgments. Financial and operating information presented in the Annual Report are consistent with the financial statements. Systems of internal control and practices are maintained to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained. Deloitte & Touche LLP, the external auditors appointed by the Board of Trustees, has conducted an independent examination of the financial statements in accordance with generally accepted auditing standards, performing such tests and other procedures as they consider necessary to express an opinion in their Auditors' Report. The external auditors have unrestricted access to management and the Board of Trustees to discuss any findings related to the integrity of the Plan's financial reporting and adequacy of the internal control systems.



**Garry Tramer**  
*General Manager*

## 2004 FINANCIAL HIGHLIGHTS

### STATEMENT OF CHANGES IN NET ASSETS

	2004 (000's)	2003 (000's)
<b>Net assets available for benefits at the start of the year</b>	<b>\$ 1,985,907</b>	<b>\$ 1,724,981</b>
<b>Plus:</b> Member contributions	\$ 59,891	\$ 41,437
Employer contributions	67,078	46,409
Other contributions	2,853	2,295
Investment income	53,397	42,163
Net realized gain on investments	127,184	18,920
	310,403	151,224
<b>Less:</b> Pension benefits	59,938	54,227
Termination and death benefits	11,531	10,625
Realized loss on foreign exchange	1,123	620
<b>Expenses</b>		
Administrative expenses	1,485	911
Consulting fees	187	290
Professional fees	144	349
Fund management fees	5,172	3,930
Custodian fees	391	349
Investment counselling fees	81	75
	80,052	71,376
<b>Unrealized gains (losses)</b>		
Unrealized market value gain	36,406	183,576
Unrealized loss on foreign exchange	(4,603)	(2,498)
	31,803	181,078
<b>Net assets available for benefits at the end of the year</b>	<b>\$ 2,248,061</b>	<b>\$ 1,985,907</b>

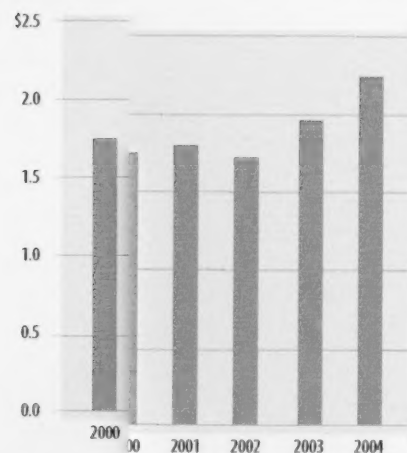
If you would like to receive a complete copy of SHEPP's 2004 audited financial statements, please contact [sheppinfo@shepp.ca](mailto:sheppinfo@shepp.ca).

Net assets available for benefits increased by 13% to \$2.2 billion in 2004.

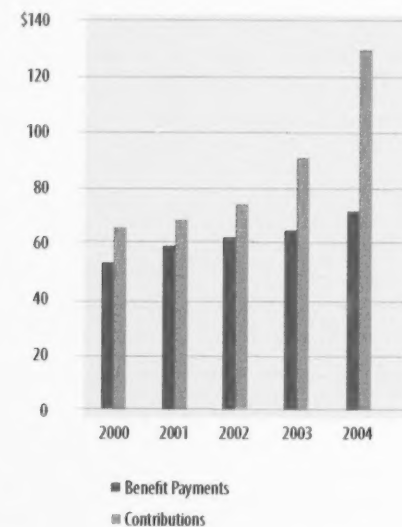
Contributions to the Plan grew to \$130 million in 2004, a 44% increase over the previous year.

A total of \$71.4 million was paid out in pension and benefit payments during the year, a 10% increase over the previous year.

### NET ASSETS (in billions)



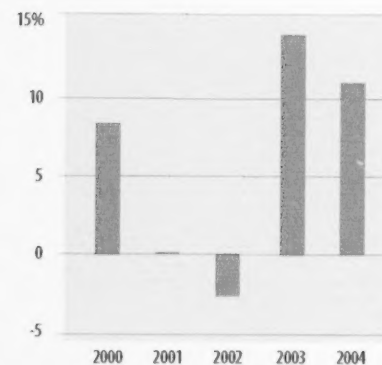
### BENEFITS AND CONTRIBUTIONS (in millions)



### TOTAL FUND RETURN (%)

	2004	2003
Annual return	10.6	13.9
Annual benchmark	9.1	14.2
Four year annualized return	5.2	4.7
Four year annualized benchmark	4.0	3.2

### HISTORICAL TOTAL FUND RETURN (%)



## MEMBER SERVICES

We provide a number of services to plan members throughout their membership. Whether they are receiving pension benefits, thinking about retirement or new members to the Plan, our goal is to provide the highest quality of service they deserve.

This means friendly, timely and accurate service designed to keep them informed and provide them with the personalized information they need to make educated retirement decisions.

### CUSTOMER SERVICE

We provide customer service in person or by phone, and correspond with members by fax, regular mail and email.

- Over 10,000 telephone calls handled
- 2,600 letter, fax and email inquiries answered
- 150 personal meetings conducted
- 33 pension presentations held throughout Saskatchewan communities

### PERSONALIZED INFORMATION

Annually, members receive personal statements of their SHEPP benefits, contributions and service. In 2004, the statements were revamped using a friendlier format to help members better understand the key features of their SHEPP benefits.

We also prepared the following:

- 2,500 pension estimates
- 1,200 prior service purchase calculations
- 1,130 benefit and options statements
- 100 portability and transfer information letters

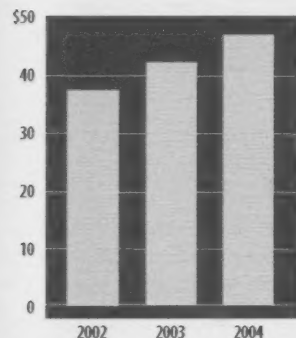
Personal statements were mailed to more than 29,000 members in June 2004.

Introduced in 2004, shepp.ca received 7,964 visitors.

## ADMINISTRATIVE COST PER MEMBER

(EXCLUDING INVESTMENT COSTS)

(in dollars)



## PRINT AND ONLINE MATERIALS

We publish a full range of printed materials. Chief among those is the plan booklet, which explains the Plan and its benefits.

Information sheets on beneficiary designations and powers of attorney are available, and information sheets on other topics are planned for the future.

In 2004, we introduced our web site at [shepp.ca](http://shepp.ca). It provides a wealth of information on everything from governance to investments, as well as links to other sites. Interactive features, including a pension calculator, will be added later this year.

## CONTRIBUTIONS AND BENEFITS

In 2004, we collected approximately \$130 million in contributions from SHEPP employers and plan members, a 44% increase over the previous year. Employees contributed \$62.7 million while their employers contributed \$67 million.

A total of \$71.4 million was paid out in pension and benefit payments during the year, a 10% increase over the previous year.

## ADMINISTRATIVE COSTS

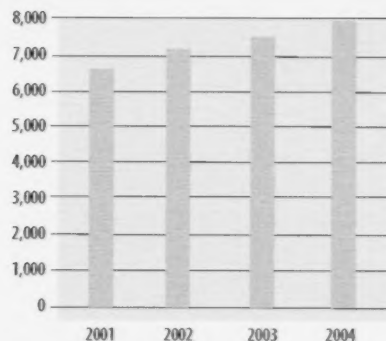
In 2004, the cost of providing services to plan members was \$47 per member. Even though this was an increase over the previous year, it still compares well to the costs reported by other major pension plans that benchmark costs. In 2004, the average cost reported by these other plans was \$116 per member.

## RETIRED MEMBERS, SPOUSES AND BENEFICIARIES

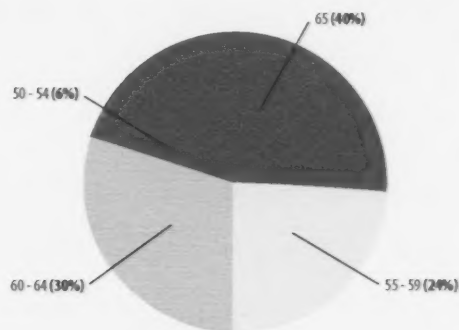
In 2004, we provided accurate and timely pension payments to 7,917 retired members, spouses and beneficiaries. This includes 596 newly retired members, which is an increase of 5.2% from the previous year.

The total pension payroll grew by 10% to almost \$60 million in 2004.

NUMBER OF RETIRED MEMBERS  
(in thousands)



AGE OF NEW RETIRED MEMBERS



The average new monthly pension in 2004 was \$1,106, 11% higher than the average in 2003 at \$998 (including bridge benefits).

4,602 members will be eligible to start receiving unreduced pensions during the next 10 years.



## FUND PERFORMANCE

### HOW THE FUND IS INVESTED

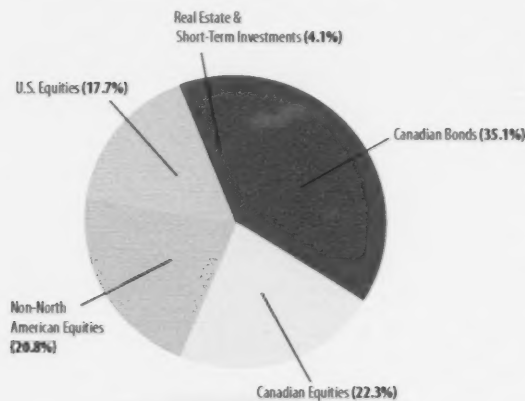
SHEPP's assets are invested in accordance with the Board of Trustees' investment philosophy and objectives, which are set out in its Statement of Investment Policies and Procedures. The Board's goal is to ensure there is enough money available to pay the benefits promised under the Plan. Its investment philosophy is one of prudence, with a view to earning the best possible returns within an acceptable level of risk.

### WHAT THE FUND IS INVESTED IN

The SHEPP fund is invested in several different asset classes, based on the guidelines established by the Board. Maintaining a diversified portfolio ensures that the risk inherent in investments is dispersed among different asset classes. The charts below show the fund's investments by asset class.

SHEPP's target asset mix is about 60% equities and 40% fixed-income.

ASSET MIX  
(at December 31, 2004)



HISTORICAL ASSET MIX (%)

	2004	2003
Canadian Bonds	35.1	37.3
Canadian Equities	22.3	21.5
Non-North American Equities	20.8	20.8
U.S. Equities	17.7	19.1
Real Estate & Short-Term Investments	4.1	1.3
	100	100

## 2004 INVESTMENT PERFORMANCE

The investment objectives for the fund's performance over the long-term are to outperform the benchmark set for the fund and for each asset class. The benchmarks reflect the performance of the markets in which the fund is invested.

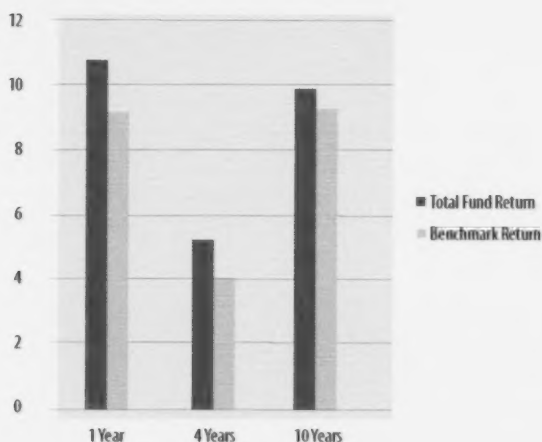
In 2004, the fund achieved a 10.6% return, exceeding its benchmark of 9.1% and generating \$212.3 million in investment income. This includes approximately \$30 million in additional value created by beating the benchmark by 1.5%.

The positive return reflects the strength of the markets – which saw the equity and bond markets remain strong throughout the year – as well as incremental returns from the fund's active investment managers.

On a four-year basis, the fund generated an annualized rate of return of 5.2%. This reflects two years of double digit returns following two years of negative returns. The benchmark for this same period was 4.0%.

Looking longer term, on a 10-year basis the fund has realized a 9.9% annualized return, versus the benchmark's return of 9.2%.

TOTAL FUND VS. BENCHMARK RETURN (%)



FOUR-YEAR ANNUALIZED RETURN (%)

	2004	2003	2002	2001
Total Fund	5.2	4.7	4.7	7.7
Benchmark	4.0	3.2	3.1	6.6

In 2004, the fund achieved an investment return of 10.6 %, beating its benchmark by 1.5%.

The fund generated over \$212.3 million in investment income (realized and unrealized) during the year.

## 2004 BOARD OF TRUSTEES

### CHAIR

**Jim Tomkins**

Vice-President (Administration)  
of the University of Regina

### VICE-CHAIR

**Marg Romanow**

Benefits Officer with the  
Saskatchewan Union of Nurses

**Andrew Huculak**

National Representative with the  
Canadian Union of Public  
Employees

**Muriel Morhart**

Staff Representative with the Service  
Employees' International Union

**Kay Robertson**

Lawyer

**Joe Rybinski**

Executive Director of Human  
Resources for the Kelsey Trail  
Regional Health Authority

**Tim Slattery**

Executive Director for the Health  
Sciences Association of  
Saskatchewan

**Trent Szabo**

Director of Payroll & Benefits  
for the Sunrise Health Region

## SHEPP DIRECTORY

### ADMINISTRATION

#### GENERAL MANAGER

Garry Tramer

### EXTERNAL ADVISORS AND AGENTS

#### ACTUARY

Aon Consulting

#### AUDITOR

Deloitte & Touche LLP

#### CUSTODIAN

CIBC Mellon Global Securities

#### LEGAL COUNSEL

Balfour Moss

### PENSION ADMINISTRATION

#### SYSTEM SUPPLY & SUPPORT

James Evans & Associates

Cronus Technologies Inc.

#### INVESTMENT ADVISOR

James P. Marshall (a Hewitt Company)

#### PERFORMANCE MEASUREMENT SERVICE

API Asset Performance

### INVESTMENT MANAGERS

Greystone Managed Investments  
Montrusco Bolton Investments  
Barclays Global Investors  
Franklin Templeton Investments  
Bentall Capital Management

TD Quantitative Capital  
Bissett Investment Management  
Phillips, Hager & North Investment Management  
JP Morgan Asset Management

We welcome your comments and suggestions  
on this annual report.

Contact us at:

Phone 306.751.8300 (in Regina)

Toll free 1.866.394.4440

Email [sheppinfo@shepp.ca](mailto:sheppinfo@shepp.ca)

